

**AGRA INDUSTRIES
LIMITED**

1981 EIGHTEENTH ANNUAL REPORT

AGRA Industries is a diversified Canadian company which provides engineering and community services and also manufactures specialty foods and soft-drinks. The Engineering Group is engaged in both consulting and construction services as well as land development. It also operates a steel fabricating plant, an architectural precast concrete plant and a fiberglass reinforced plastics plant. The Community Service Group provides cable television and radio broadcasting services, distributes news-magazines and operates medical diagnostic laboratories. The Food & Beverage Group produces specialty ingredients for the snack foods industry as well as several nationally branded soft-drink lines. In 1981 AGRA ranked within the top 300 of Canada's largest companies.



AGRA INDUSTRIES LIMITED

CORPORATE HEAD OFFICE: 1101 CN TOWERS, SASKATOON, CANADA, S7K 1J5

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1981 EIGHTEENTH ANNUAL REPORT

FINANCIAL HIGHLIGHTS

	1981	1980
Sales	\$ 160,007,590	139,217,043
Net Earnings — After Taxes		
Before Extraordinary Items	4,010,714	1,297,691
After Extraordinary Items	6,598,687	1,446,784
Net Earnings Per Share		
Before Extraordinary Items	1.69	.55
After Extraordinary Items	2.78	.61
Cash Flow	10,732,960	3,713,649
Cash Flow Per Share	4.52	1.57
Equity Per Share	16.02	13.29
Average Shares Outstanding	2,376,899	2,370,002
Return on Equity	19%	5%

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ANNUAL MEETING

The annual meeting of shareholders will be held at 2:30 p.m. on Tuesday, January 26, 1982 in the Kensington Room, The King Edward Hotel, at 37 King Street East in Toronto. If you cannot be present, please vote by proxy.





AGRA INDUSTRIES LIMITED

BOARD OF DIRECTORS

D. H. C. BEACH	Nipawin	F. D. McCARTHY	Edmonton
G. H. BEATTY	Regina	T. A. McLELLAN	Saskatoon
J. S. BURTON	Regina	C. ROLES	Saskatoon
S. J. HAMER	Vancouver	H. TENENBAUM	Toronto
W. B. MANOLSON	Toronto	B. B. TORCHINSKY	Toronto

OFFICERS AND CORPORATE MANAGEMENT

B. B. TORCHINSKY	President & Chairman of the Board
T. A. McLELLAN	Executive Vice-President & Secretary
H. TENENBAUM	Vice-President, Food & Beverage Group (Foods)
K. J. TAYLOR	Vice-President, Food & Beverage Group (Beverages)
F. D. McCARTHY	Vice-President, Engineering Group (Construction)
H. SOLONINKA	Vice-President, Engineering Group (Consulting)
W. B. MANOLSON	Vice-President, Community Service Group
W. V. FURBER	Vice-President, Community Service Group (Radio)
W. WECKERS	Vice-President, Community Service Group (Cable TV)
A. W. BEAN	Vice-President, Special Investments
R. G. DITTMER	Treasurer
A. C. RANKIN	Director of Corporate Marketing
O. P. RITTER	Corporate Counsel

COMPANY AUDITORS

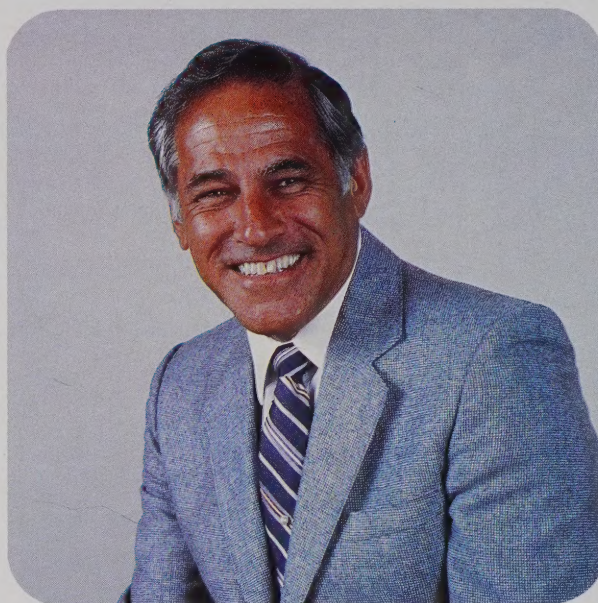
Deloitte Haskins & Sells
Saskatoon, Saskatchewan

REGISTRAR and TRANSFER AGENT

Common Shares: Canada Permanent Trust Company
Convertible Debentures: Canada Trust Company

SECURITIES EXCHANGE LISTING

Toronto Stock Exchange
Montreal Stock Exchange



REPORT TO THE SHAREHOLDERS

The eighteenth year of operations for AGRA ended on July 31st, 1981 bringing to a close one of the most active and most successful years we have ever experienced. Consolidated revenues reached a total of \$160,007,590 compared with \$139,217,043 last year. Earnings from operations, after allowing for full income taxes, reached \$6,598,687 or \$2.78 per share (based on 2,376,899 shares outstanding) compared with \$1,446,784 or 61 cents per share (based on 2,370,002 shares outstanding) last year. The current year's earnings include an extraordinary gain of \$2,587,973 or \$1.09 per share, while last year's earnings included an extraordinary gain of \$149,093 or 6 cents per share.

The extraordinary gain for the current year was realized from the sale of our Seven-Up plant in Montreal. The sale agreement was completed last year but was delayed awaiting approval from the Foreign Investment Review Agency. Government approval was subsequently received at mid-year and our sale agreement was finally consummated in the current year. Another sale agreement which was completed last year involved our Canada All-News Radio operation (CKO). This company was sold because of excessive start-up losses experienced during the previous three years. The sale was also delayed awaiting the required approval of another government agency, the Canadian Radio-television & Telecommunications Commission (CRTC). In this case the approval was not granted and the sale agreement finally had to be cancelled.

A major reorganization program in our Engineering Group was begun last year which produced some improvements in final operating results. The turn-around trend continued to develop all through the current year with the result that the operating performance of nearly all our various engineering companies was much improved over the past year. This has been most encouraging and we are taking steps in the new year to maintain growth momentum of the Engineering Group and to build on it.

For the first time we have consolidated our Foods Group and Beverages Group for presentation in the annual report. This group will now be reported under the name "Food & Beverage Group", and will consist of two divisions, the foods division and the beverages

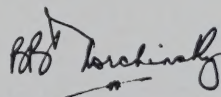
division. For comparison purposes we have restated last year's operating results simply by combining the results of the two individual groups. This change in reporting has been made merely for convenience of presentation and because the two divisions can be logically grouped together. While operating results for the Food & Beverage Group were very encouraging, nevertheless certain areas did not show hoped for improvements because of a combination of rapidly escalating interest and operating costs as well as competitive pressures. Programs presently being implemented should result in substantial benefits in the future for this group.

Our Community Service Group experienced an extremely busy and eventful year. Although final operating results were very distressing, they were not unexpected. Major losses were recorded in Canada All-News Radio (CKO) which had been allowed to languish for more than six months while waiting for approval of its sale by the CRTC. When the approval was denied we realized that the finding of a new purchaser acceptable to the CRTC would require either a substantial additional capital loss or a substantial amount of time or both. We also recognized that a major reorganization effort was immediately required within CKO in order to head off a complete operations collapse due to the precipitous drop in staff morale due to uncertainties created by the long drawn out selling procedure. A major reorganization was therefore immediately begun which was designed to improve programming quality, improve operating facilities and rebuild the sales organization. The results from this concentrated effort were quite dramatic both on employee morale and also on operating results. Substantially improved audience ratings and steadily increasing operating revenues have been most gratifying during the early part of the new year. This has prompted us to forget about selling CKO and concentrate instead on continuing in the very positive direction it has taken. For the current year-end we decided to write off the balance of CKO's originally deferred start-up costs. This reduced AGRA's after-tax earnings by some \$600,000, but will provide a clean slate for CKO's operations in the new year when we expect to see some very encouraging results.

Another equally exciting development for the Community Service Group, subsequent to the year-end, was the success chalked up by our CableNet subsidiary in winning the franchise to provide cable and pay-TV services to ten municipalities comprising a major part of the Northwest Community Conference of Chicago. They are located in the northwest suburbs of Chicago and represent a total of some 130,000 homes in one of the most desirable areas for cable television in North America. The franchises were won in the face of extreme competition by some of the major corporations in America and our CableNet staff are to be congratulated on a job well done.

When dividend payments were postponed due to financial difficulties in 1979, your board of directors announced that they would be reinstated just as soon as our financial problems could be overcome. Our operating results for fiscal 1981 have clearly demonstrated that a major portion of these problems have indeed been overcome and so, subsequent to our year-end, your board of directors decided to reinstate dividend payments immediately, starting with a quarterly payment of 5 cents per share. Although this is only half of what the dividend was when interrupted, it does represent a serious start on a dividend payment program which we plan to continue uninterrupted for a long, long time. It is our intent to catch up to the rate of payments made in 1979 as quickly as possible and to continue to move up from there. I believe our company is now well positioned to live up to this aspiration.

Saskatoon
November, 1981



B. B. Torchinsky
Chairman and President



	1981	1980
SALES	\$ 86,745,499	59,656,312
EARNINGS	3,212,630	1,006,344

Last year's reorganization of our Engineering Group finally led to encouraging results which began to develop that year and continued throughout fiscal 1981. Total sales increased to a record \$86,745,499 compared with \$59,656,312 in the previous year, and after-tax profits rose to a record \$3,212,630 compared with \$1,006,344 last year. With only a few exceptions, our entire group of engineering companies performed at least as well as their budgets anticipated, and in many cases far better than expected. The turn-around trend in earnings is obviously continuing to build.

In the construction division a major contribution to earnings was registered by the Western Caissons companies and their subsidiary Meredith Drilling, all of which constitute our foundation pile and caisson contracting group. Coast Steel Fabricators settled down in their new three million dollar steel fabricating plant near Vancouver to come up with a satisfactory performance for the year. They are now poised to become one of the major producers in our Engineering Group and are expected to do even better next year. Mocoat Industries, our fibreglass reinforced plastics manufacturing facility located near Calgary, continued to build sales and earnings as anticipated. With settlement of the oil pricing dispute between the Ottawa and Alberta governments, Mocoat should perform very well next year, since a large part of their business is done in the oil fields. Jensen & Reynolds, our marine construction arm located in San Francisco, opened a second office and field operation in Seattle. This positions them very well for marine work along the entire length of the west coast and into Alaska. Beer Precast Concrete, our architectural precast concrete manufacturer in Toronto, continued to improve efficiency and is now also poised to become one of our major producers.

A serious soft spot developed last year in our Middle Eastern operations. These are carried on by Western Foundation & Marine Construction in Kuwait. As part of the consolidation and reorganization program for our Engineering Group,

we sold our interest in this company and thereby eliminated the problem.

The consulting engineering division enjoyed an excellent year, led by BBT Geotechnical Consultants who substantially outperformed both their sales and earnings budgets. This company provides specialized geotechnical consulting services in western Canada and also in the United States through its subsidiary, Sergeant Hauskins & Beckwith. Torchinsky Consulting is our subsidiary which specializes in highway surveys and design throughout Saskatchewan and Alberta. This company performed very well as did Camrec Facilities Consultants, our Edmonton office which specializes in design and construction management services for arenas, stadiums, town centers and other community facilities. General consulting engineering services are provided by the Cambrian Engineering Group through offices in Toronto, Saskatoon and Calgary. This company satisfactorily completed a major reorganization begun in the previous year. They have now developed substantial work loads in most of their offices and the outlook for their rapid growth and development is very bright indeed.

For the second year in a row, Ellesmere Developments, our land development company in Edmonton, recorded a most successful year. They topped last year's record performance by a substantial margin in spite of seriously declining activity in this industry due to high interest rates. They have taken positions in various land activities in Alberta and California. We anticipate continued good results from this fine company.

The overall contribution to both sales and earnings by AGRA's Engineering Group has exceeded expectations. This is most gratifying and leads us to predict even further improvements next year as the momentum of our reorganization program grows. Such optimism must be tempered with the reality that ongoing high interest rates will undoubtedly retard some of the growth. In spite of this, we remain optimistic that our Engineering Group will continue to build and to improve.

1. Western Caissons installs foundations for the Olympic Coliseum in Calgary, site of the 1988 Winter Olympics.
2. Cambrian Engineering provided detail design services for a \$9,000,000 expansion to Cominco Potash plant in Saskatchewan.
3. Sergeant, Hauskins and Beckwith utilized their mobile load frame to conduct load tests on high capacity, rock-socketed caissons at Four Corners Power Plant, New Mexico.
4. Mocoat Industries produce acid storage tanks for the oilwell servicing industry.





FOOD & BEVERAGE GROUP

Total revenue for the Food & Beverage Group dropped to \$68,062,413 in fiscal 1981 compared with \$74,160,911 last year. This drop was caused primarily because we completed the sale of Seven-Up Montreal Ltée. half-way through the year, thus cutting off a fairly substantial revenue source. The sale had actually been agreed to in the previous year, however actual completion was delayed until we received approval from the Foreign Investment Review Agency. In spite of the reduced revenues, after-tax earnings reached a record \$4,630,312 compared with \$1,533,308 last year. This very large increase was due partly to the extraordinary gain in the sale of our Montreal plant, and partly to a very strong operating performance by the beverages division.

Operations of the foods division were somewhat disappointing mainly because our wholly-owned subsidiary W. J. Lafave & Sons did not come up to expectations. Lafave is a major supplier to the baking industry across Canada. The company manufactures a range of shortening, chocolate and other specialty products, and in addition distributes a broad range of items essential to commercial baking. Its wholly-owned subsidiary, Magnani Inc., manufactures a variety of specialty Italian foods under various private labels. Lafave has been faced with an extremely competitive market situation and is currently streamlining its operations in order to efficiently accommodate the radical changes which have occurred in the baking industry in the past few years.

A very bright spot in the foods division for 1981 was provided by our Research Foods subsidiary. Research Foods is an ingredient supplier to the food processing industry, and specializes in dehydrated cheese and shortening powders as well as an extensive variety of seasoning and vitamin blends. The past year has seen a number of improvements at Research including a major expansion of warehouse space, the installation of a major dehydration system and the initial computerization of operations. Research also installed

	1981	1980
SALES	\$68,062,413	74,160,911
EARNINGS	4,630,312	1,533,308

an advanced mass spectrophotometer in its large research laboratory. All of the expansion which Research Foods has undertaken positions it very well to take full advantage of the anticipated growth in the snack and convenience food business during the next few years.

One of the major contributors to the healthy performance of the Food & Beverage Group was the beverages division which showed an increase of nearly 50 percent over its previous year's earnings. The beverages division operates through Blue Label Beverages a very large soft-drink bottling and canning facility in Calgary. The plant produces name brand products which are distributed throughout southern Alberta. Some of the well known products include Pepsi-Cola, 7-Up, Orange Crush, Dr. Pepper and Perrier Water. The healthy increase in earnings was due in part to a substantial increase in volume which was no doubt helped along by the large population growth in the Calgary area. Another factor was a drop in sugar costs during the year. Furthermore, the cash generated from the sale of the Montreal plant relieved substantial financing charges which we had been facing due to high interest rates.

Blue Label Beverages has two subsidiary companies. Stampede Vending supplies industrial accounts with soft-drinks, coffee and snacks through vending machines, and Contain-A-Way operates a depot system throughout Alberta for recycling of soft-drink, wine and liquor containers. Both of these companies operated satisfactorily throughout the year.

Because of the healthy population growth in Calgary we recently commenced construction of a new manufacturing facility for Blue Label Beverages. The plant will be almost double the size of our present plant and will require a capital investment of nearly 15 million dollars. It should be completed next year and will enable us to continue the rapid expansion of our beverages division to match that of Calgary and southern Alberta.

1. Research Foods recently installed a mass spectrophotometer in their Toronto laboratory.
2. Blue Label manager Vern Siemens presents 1981 Pepsi Award to sales director George Hansen and marketing manager Stu McQuay.
3. Western Caissons installs foundations for Blue Label's new 15 million dollar plant in Calgary as Tony Leaver, Camrec Facilities' project engineer explains job to Vern Siemens.



	1981	1980
SALES	\$25,021,199	20,904,987
EARNINGS	(1,244,255)	(1,092,868)

Total sales for the year reached a record \$25,021,199 compared with \$20,904,987 last year. Included in the sales figures are \$19,821,521 for the current year and \$15,505,167 for last year which constitute our share (73%) of Cybermedix's sales. The Cybermedix figures are not included in AGRA's consolidated sales figures since our interest in Cybermedix is accounted for on an equity basis. Consolidated operations for the year again produced a disappointing \$1,244,255 loss compared with a loss of \$1,092,868 last year. In spite of the distressing results we are in fact very encouraged with the Community Service Group because substantial progress was made during the year in several areas.

The Community Service Group is made up of two divisions, the laboratory division and the communications division. The laboratory division operates medical diagnostic laboratories through Cybermedix in eastern Canada and CMX Laboratories in the United States. For this division, fiscal 1981 was an active and financially satisfactory year. A number of additional clinical laboratories were acquired in Ontario and Quebec, and CMX Laboratories was finally brought around to a profitable operation. The main reference laboratory in Toronto was relocated to new, expanded facilities and a reorganization program was initiated by the newly appointed medical chief-of-operations.

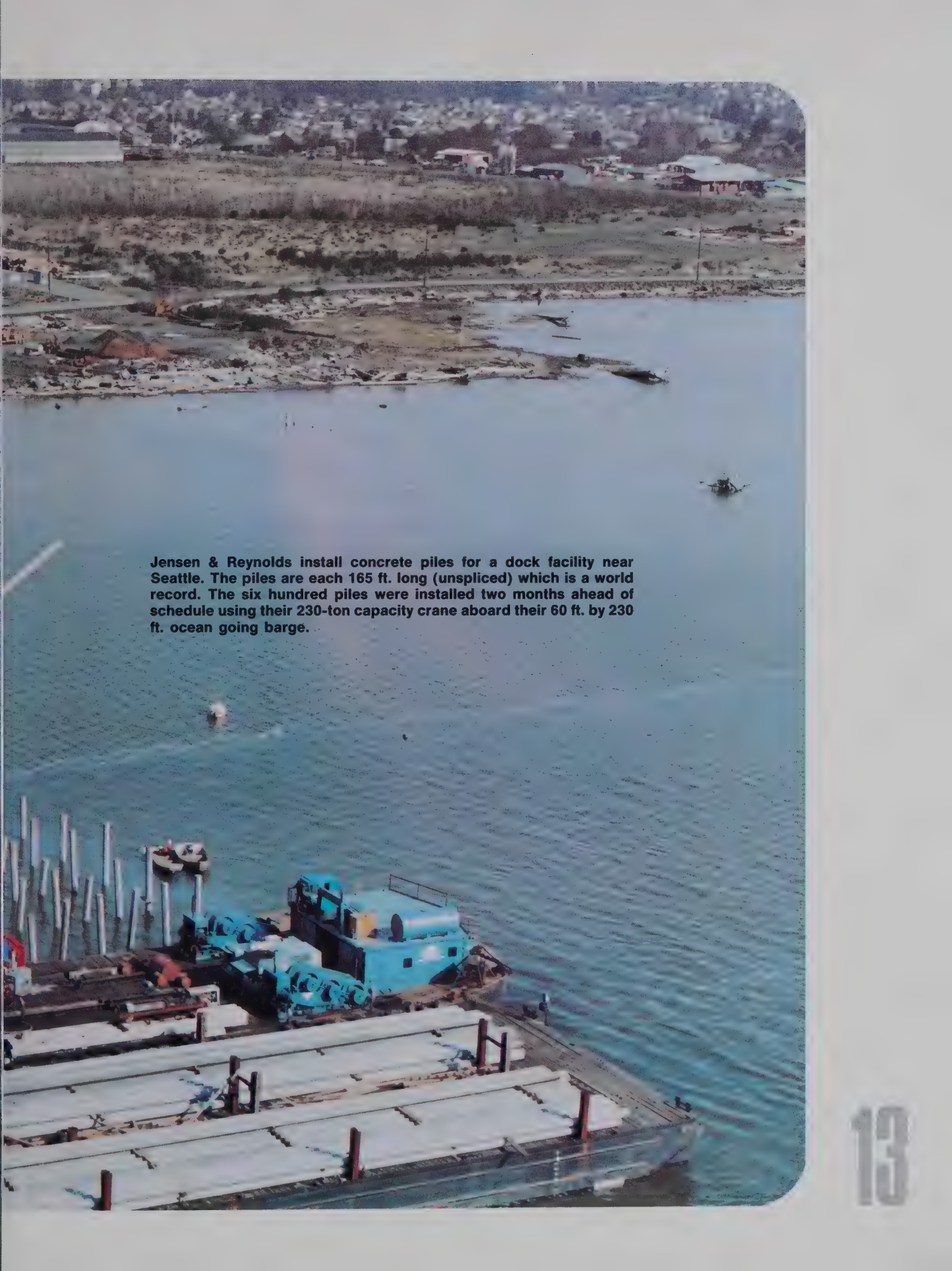
The second division in our Community Service Group is the communications division which is made up of three subdivisions, newsmagazine distribution, cable television and radio broadcasting. General News operates our newsmagazine business in southern Alberta and once again produced record sales volume and profits for the twelfth year in a row. The cable television business operates primarily as CableNet. Early in the year CableNet completed the purchase of the cable system in Kingston and also completed the exchange of our Scarborough cable company for

systems in Oakville and Burlington. All of these acquisitions were delayed while waiting for CRTC approval which was finally received. In the meantime we continued with construction of a new cable system near St. Louis in which CableNet holds a 50% interest and this system is now nearing completion. The total number of subscribers in all of our cable operations now numbers approximately 146,000, an increase of some 32 percent over last year. The most important development for CableNet occurred subsequent to year-end when they were awarded the franchise to supply cable services (including pay-TV) to ten members of the Northwest Municipal Conference of Chicago. These communities are located in the northwest residential outskirts of Chicago and represent in excess of 130,000 homes. Construction has already begun and should eventually provide us with about 70,000 subscribers.

AGRA's radio broadcasting operations began in 1977 when we were granted licenses to erect all-news radio stations in 11 major cities across Canada. Seven of the radio stations under call letters CKO were broadcasting by 1978 and the start-up losses for the next two years were so excessive that we decided to sell the system. An agreement for the sale was completed early in the year subject to regulatory approval; however since this sale was not approved by the CRTC the agreement was subsequently cancelled at mid-year. Since then we worked very hard to reorganize the operations of CKO and starting in the new year our efforts have finally started to bear fruit. Since early in the new year CKO has undergone a major improvement in audience ratings due to a dramatic improvement in its sound and quality. The CKO national and retail sales effort has been completely rebuilt and reoriented with the result that forward bookings have shown a significant increase in a very short period of time. As a result, we expect CKO's operating results for fiscal 1982 to be substantially improved over the previous year, and to continue improving.

1. CKO's network news staff at work in Toronto.
2. Hematology technologist Karen Wilson performs complete blood analysis in Cybermedix's main reference laboratory in Toronto.
3. Studio head office for South-Western Cable TV Inc. near St. Louis, Missouri.
4. Some of the more popular ladies' publications distributed by General News.





Jensen & Reynolds install concrete piles for a dock facility near Seattle. The piles are each 165 ft. long (unspliced) which is a world record. The six hundred piles were installed two months ahead of schedule using their 230-ton capacity crane aboard their 60 ft. by 230 ft. ocean going barge.

TEN YEAR REVIEW

EARNINGS STATISTICS

	1981	1980	1979
Revenues	\$ 160,007,590	139,217,043	105,629,644
Depreciation and Amortization	5,666,515	3,847,289	3,184,967
Net Earnings	6,598,687	1,446,784	959,361
Cash Flow	10,732,960	3,713,649	1,880,919
Dividends Paid	—	—	924,878

BALANCE SHEET STATISTICS

Current Assets	52,873,652	49,965,343	42,980,718
Current Liabilities	33,924,060	32,165,852	29,217,562
Working Capital	18,949,592	17,799,491	13,763,156
Fixed Assets — Net	27,551,329	30,314,630	20,444,912
Long-Term Debt	28,061,826	36,940,363	26,261,826
Shareholders' Equity	38,198,000	31,492,232	30,028,736

COMMON SHARE STATISTICS

Earnings per Share	2.78	.61	.40
Cash Flow per Share	4.52	1.57	.79
Dividends per Share	—	—	.39
Equity per Share	16.02	13.29	12.67
Return on Equity (average)	19%	5%	3%

OTHER STATISTICS

Average Shares Outstanding	2,376,899	2,370,002	2,371,552
Number of Shareholders	1,500	1,900	1,900

* 1977 and 1975 statistics are based on continuing operations.

1978	1977	1976	1975	1974	1973	1972
81,730,078	*146,445,214	149,831,095	*121,104,857	154,685,149	94,613,005	32,542,237
3,560,953	*2,809,913	2,242,105	*1,594,556	1,692,307	1,163,237	647,896
6,320,883	*2,139,496	3,532,528	*2,423,107	2,956,159	2,414,082	1,746,690
9,692,023	*5,841,809	6,767,819	*5,439,024	5,774,501	4,550,487	3,373,114
835,762	761,209	685,687	553,570	397,348	210,850	150,493
37,192,909	38,157,933	30,603,645	28,860,017	39,172,620	22,585,054	11,184,643
26,871,633	28,592,991	23,536,967	26,142,108	37,728,360	20,817,298	9,001,735
10,321,276	9,564,942	7,066,678	2,717,909	1,444,260	1,767,756	2,182,908
26,321,703	25,572,113	22,610,704	18,492,437	25,136,753	21,149,650	12,752,947
21,627,655	19,220,781	15,167,565	11,661,885	15,646,934	17,434,139	10,032,670
30,019,197	24,465,701	22,610,191	19,316,386	16,946,808	11,132,809	7,529,954
2.67	*.91	1.62	*1.14	1.55	1.37	1.05
4.09	*2.49	3.10	*2.55	3.04	2.58	2.03
.36	.34	.32	.26	.21	.12	.09
12.65	10.32	10.18	9.06	7.97	6.24	4.50
23%	*9%	17%	*13%	21%	26%	27%
2,370,139	2,344,840	2,186,010	2,129,177	1,896,507	1,764,390	1,664,541
1,950	1,900	1,900	2,000	1,950	1,650	1,600

AUDITORS' REPORT

To the Shareholders

We have examined the consolidated balance sheet of Agra Industries Limited as at July 31, 1981 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at July 31, 1981 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Deloitte Haskins + Sells

Chartered Accountants

SASKATOON, Canada
October 15, 1981

AGRA INDUSTRIES LIMITED

CONSOLIDATED STATEMENT OF EARNINGS

Year Ended July 31, 1981

	1981	1980
Revenue		
Sale of products, contracts and fees (Note 15)	<u>\$ 160,007,590</u>	<u>139,217,043</u>
Expenses		
Cost of sales and services, selling, general and administrative	<u>144,300,424</u>	<u>128,063,055</u>
Depreciation and amortization	<u>5,666,515</u>	<u>3,847,289</u>
Interest on long-term debt	<u>5,415,922</u>	<u>4,943,241</u>
Other interest	<u>1,610,639</u>	<u>1,608,763</u>
	<u>156,993,500</u>	<u>138,462,348</u>
Earnings before income taxes, minority interest and extraordinary items	<u>3,014,090</u>	<u>754,695</u>
Income taxes (recovery)		
— current	<u>466,592</u>	<u>450,684</u>
— deferred	<u>532,286</u>	<u>(299,068)</u>
	<u>998,878</u>	<u>151,616</u>
Minority interest	<u>2,015,212</u>	<u>603,079</u>
Earnings of non-consolidated entities	<u>(41,909)</u>	<u>(19,394)</u>
	<u>2,037,411</u>	<u>714,006</u>
Earnings before extraordinary items	<u>4,010,714</u>	<u>1,297,691</u>
Extraordinary items (Note 9)	<u>2,587,973</u>	<u>149,093</u>
Net earnings	<u>\$ 6,598,687</u>	<u>1,446,784</u>
Earnings per share (Note 14)		
Before extraordinary items	<u>\$ 1.69</u>	<u>.55</u>
After extraordinary items	<u>\$ 2.78</u>	<u>.61</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year Ended July 31, 1981

Balance, beginning of year	<u>\$ 21,418,320</u>	<u>19,971,536</u>
Add Net earnings	<u>6,598,687</u>	<u>1,446,784</u>
Balance, end of year	<u>\$ 28,017,007</u>	<u>21,418,320</u>

AGRA INDUSTRIES LIMITED**CONSOLIDATED BALANCE SHEET****July 31, 1981****ASSETS****Current**

	1981	1980
Accounts receivable	\$ 29,101,447	28,069,110
Inventory and contracts in progress	19,442,390	18,989,731
Prepaid expenses	584,659	615,014
Other	3,745,156	2,291,488
	<u>52,873,652</u>	<u>49,965,343</u>

Investments

Equity in non-consolidated entities	11,924,257	10,399,196
Other — at cost	3,009,978	3,315,549
	<u>14,934,235</u>	<u>13,714,745</u>

Fixed

Land	2,669,942	2,514,792
Buildings	9,348,237	12,785,220
Equipment	30,496,490	31,264,503
	<u>42,514,669</u>	<u>46,564,515</u>

Less accumulated depreciation	14,963,340	16,249,885
	<u>27,551,329</u>	<u>30,314,630</u>

Other

Excess cost of shares in subsidiaries and acquired goodwill	6,028,722	6,047,034
Deferred charges	—	2,088,145
	<u>6,028,722</u>	<u>8,135,179</u>

ON BEHALF OF THE BOARD



B. B. TORCHINSKY — Director



T. A. McLELLAN — Director

\$ 101,387,938102,129,897

LIABILITIES**1981****1980****Current**

Bank indebtedness (Note 3)	\$ 10,360,354	12,623,016
Accounts payable	18,115,232	14,165,305
Income taxes payable	316,535	381,797
Current portion of long-term debt (Note 5)	3,385,337	2,913,198
	32,177,458	30,083,316
Deferred income taxes	1,746,602	2,082,536
	33,924,060	32,165,852
Long-term debt (Note 5)	28,061,826	36,940,363
Deferred income taxes	1,133,930	1,502,056
	63,119,816	70,608,271
Minority interest	70,122	29,394

SHAREHOLDERS' EQUITY**Share capital (Note 7)**

Authorized		
Class A common voting convertible shares, without nominal or par value		
Class B common voting convertible shares, without nominal or par value		
Issued and outstanding		
1,750,766 Class A shares		
633,403 Class B shares		
<u>2,384,169</u>	10,180,993	10,073,912
Retained earnings	28,017,007	21,418,320
	38,198,000	31,492,232
	\$ 101,387,938	102,129,897

AGRA INDUSTRIES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Year Ended July 31, 1981

	1981	1980
Source of Working Capital		
Operations		
Net earnings before extraordinary items	\$ 4,010,714	1,297,691
Items not affecting working capital	4,134,273	2,585,914
	<u>8,144,987</u>	<u>3,883,605</u>
Proceeds from		
Investments	801,309	1,158,784
Disposal of fixed assets	1,288,659	1,218,628
Long-term debt	2,300,577	13,332,994
Issue of share capital and options	107,081	16,712
Sale of subsidiary companies	8,082,925	—
Extraordinary items	—	1,423,851
	<u>20,725,538</u>	<u>21,034,574</u>
Use of Working Capital		
Investments	—	1,026,801
Purchase of fixed assets	9,004,642	7,693,352
Excess cost of subsidiaries and acquired goodwill	—	167,127
Retirement of long-term debt	10,906,729	2,982,186
Acquisition of subsidiary company	—	5,774,955
	<u>19,911,371</u>	<u>17,644,421</u>
Increase in working capital	814,167	3,390,153
Working capital, beginning of year	19,882,027	16,491,874
Working capital, end of year, excluding deferred income taxes	20,696,194	19,882,027
Deferred income taxes	1,746,602	2,082,536
Working capital, end of year, including deferred income taxes	<u>\$ 18,949,592</u>	<u>17,799,491</u>
Represented by		
Current assets	\$ 52,873,652	49,965,343
Current liabilities, excluding deferred income taxes	32,177,458	30,083,316
Working capital, excluding deferred income taxes	20,696,194	19,882,027
Deferred income taxes	1,746,602	2,082,536
	<u>\$ 18,949,592</u>	<u>17,799,491</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — July 31, 1981

1. Summary of Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of all companies in which the Company holds a controlling interest.

The equity method of accounting is applied to investments in other entities.

Inventories

Inventories used in determining cost of sales are priced at the lower of cost and net realizable value. Engineering and construction contracts in progress are recorded at estimated realizable value on the percentage of completion basis.

Fixed Assets

Land, buildings and equipment are carried at cost. Depreciation of buildings and equipment has been recorded in the accounts on a straight-line basis at rates providing for the amortization of cost of the buildings and equipment over their estimated useful life.

Profits and losses on the sale of fixed assets are included in earnings from operations unless of an extraordinary nature.

Excess Cost of Shares of Subsidiaries Acquired

For those companies acquired subsequent to August 1, 1973, the excess of the purchase price over the net fair value of identifiable assets is amortized on a straight-line basis over forty years.

For those companies acquired prior to August 1, 1973, the excess of the purchase price over the net book value of the underlying assets at date of acquisition is not being amortized, since in the opinion of management, no diminution of value has occurred.

Deferred Income Taxes

The Company records the estimated future tax benefit from operating losses, when in the opinion of management, the realization of such benefits is virtually certain. In addition, the Company records the estimated future tax liability that may arise as a result of timing differences between recording for accounting purposes and recording for income tax purposes.

2. Acquisitions and Disposals

During the year the Company sold its shares of Seven-Up Montreal Ltée. and Western Foundation and Marine Construction for a total of \$10,686,645 cash.

3. Bank Indebtedness

The bank indebtedness includes:

	1981	1980
Secured bank loans	\$ 8,078,802	10,419,796
Cheques issued and uncashed	<u>2,281,552</u>	<u>2,203,220</u>
	<u>\$10,360,354</u>	<u>12,623,016</u>

The bank loans are secured by general assignments of accounts receivable, inventories and fixed and floating charge debentures on certain fixed assets.

4. 6½% Convertible Subordinated Debentures

During 1972 the Company issued \$3,000,000 of 6½% Convertible Subordinated Debentures to mature

March 15, 1992. The debentures are unsecured, direct obligations of the Company and are subordinated to the senior indebtedness of the Company.

The debentures are convertible until March 15, 1992 on the basis of 76,923 common shares per \$1,000 principal amount of debentures, equivalent to a conversion price of \$13 per share. The debentures are redeemable at any time at the option of the Company at their principal amount plus accrued interest provided that the average price at which the common shares of the Company have traded in the 30 day period prior to giving notice of redemption is at least 120% of the conversion price. The Company covenants that so long as any debentures remain outstanding it will use all reasonable effort to purchase in the market at such time or times in each 12 month period ending March 15, a total of at least \$90,000 principal amount of debentures outstanding at a price not exceeding 100% of the principal amount plus accrued interest. In the event debentures are not available for purchase in any 12 month period, the obligation is nullified in that period.

During the year ended July 31, 1981 the Company deemed \$87,000 of these debentures to complete its obligation for the year.

5. Long-Term Debt

	1981	1980
Mortgages and chattel mortgages payable with interest rates averaging 13.1% (maturity dates from 1982 to 2000)	\$ 3,521,308	3,560,381
Notes, agreements and loans payable with interest rates averaging 19.2% (maturity dates from 1982 to 1995)	25,789,855	34,017,180
6½% Convertible Subordinated Debentures (Note 4)	<u>2,136,000</u>	<u>2,276,000</u>
	31,447,163	39,853,561
Less current portion	<u>3,385,337</u>	<u>2,913,198</u>
	<u>\$28,061,826</u>	<u>36,940,363</u>

6. Dividend Restrictions

The Company is subject to certain restrictions on the payment of dividends as contained in the Trust Deed providing for the 6½% Convertible Subordinated Debentures and a loan agreement with a Canadian chartered bank.

7. Share Capital

Changes in the outstanding shares during the year	Shares
Issued for cash (Class A)	9,875
Converted from debentures (Class A)	<u>4,075</u>
	<u>13,950</u>

The Company on arranging financing with a former lender granted a pre-emptive right to maintain its percentage ownership in the Company. Upon the retirement of the indebtedness, in the opinion of management, the pre-emptive right expired.

8. Stock Option Plan

Under a Company stock option plan, dated November 27, 1969, options for 20,500 common shares of the Company have been granted to employees of the Company as at July 31, 1981. The plan provides that options are exercisable for a five year period and the price at which the options can be exercised may be no less than 90% of the market value of such shares at the time the options are granted. As at July 31, 1981, 17,100 shares have been issued to employees of the Company under the plan.

Under a Company stock option plan dated November 6, 1979, options for 54,325 common shares of the Company have been accepted by employees of the Company as at July 31, 1981. The plan provides that employees shall pay to the Company 50 cents for each option, which shall be credited to the purchase price when validly exercised. The options are exercisable for a five year period at a price not less than 90% of the market price at the time the options are granted. As at July 31, 1981, 8,775 shares have been issued to employees of the Company under the plan.

9. Extraordinary Items

	1981	1980
Gain on operations sold or discontinued (net of income tax recovery of \$232,288 in 1980)	<u>\$2,587,973</u>	<u>149,093</u>

10. Remuneration to Directors and Senior Officers

Remuneration to 16 directors and senior officers amounted to \$741,000 for the year.

11. Lease Commitments

Minimum annual payments under long-term operating leases, the longest of which will expire in 1994, for the five succeeding years are: \$764,316; \$555,582; \$384,265; \$191,404 and \$180,557, totalling \$2,076,124.

12. Contingent liabilities

The Company has guaranteed certain indebtedness of related companies in the amount of \$20,689,000 and has undertaken to fund any cost overrun which may occur in the construction of a cable television system.

13. Pending Legal Proceedings

Agra Industries Limited and its subsidiaries are defendants in lawsuits involving various amounts. The results of these actions should not have any material effect on the financial position of the Company.

14. Fully Diluted Earnings per Share

	1981	1980
Before extraordinary items	\$1.59	.54
After extraordinary items	2.59	.60

The fully diluted earnings per share reflect earnings that would have been reported had all conversion rights been exercised.

15. Segmented Information (in thousands of dollars)

	Engineering		Food and Beverage		Community Service		Consolidated Total	
	1981	1980	1981	1980	1981	1980	1981	1980
Revenue	<u>\$86,746</u>	<u>59,656</u>	<u>68,062</u>	<u>74,161</u>	<u>5,200</u>	<u>5,400</u>	<u>160,008</u>	<u>139,217</u>
Earnings								
Earnings before the following	1,961	758	2,042	1,585	(1,988)	(1,740)	2,015	603
Earnings of non-consolidated entities	1,294	154	—	—	744	560	2,038	714
Minority interest	(42)	(19)	—	—	—	—	(42)	(19)
Earnings before extraordinary items	3,213	893	2,042	1,585	(1,244)	(1,180)	4,011	1,298
Extraordinary items	—	113	2,588	(51)	—	87	2,588	149
Net earnings	<u>\$ 3,213</u>	<u>1,006</u>	<u>4,630</u>	<u>1,534</u>	<u>(1,244)</u>	<u>(1,093)</u>	<u>6,599</u>	<u>1,447</u>
Assets	<u>\$56,701</u>	<u>46,379</u>	<u>32,549</u>	<u>41,733</u>	<u>12,138</u>	<u>14,018</u>	<u>101,388</u>	<u>102,130</u>
Depreciation and Amortization	<u>\$ 2,287</u>	<u>1,578</u>	<u>1,527</u>	<u>1,561</u>	<u>1,853</u>	<u>708</u>	<u>5,667</u>	<u>3,847</u>
Capital Expenditures	<u>\$ 5,049</u>	<u>5,053</u>	<u>3,888</u>	<u>2,532</u>	<u>68</u>	<u>108</u>	<u>9,005</u>	<u>7,693</u>





AGRA INDUSTRIES LIMITED

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1101 CN TOWERS, SASKATOON, CANADA S7K 1J5

PHONE (306) 653-5163 TELEX 074-2496

OFFICE OF THE PRESIDENT:

1201 OLD MILL TOWERS, 39 OLD MILL ROAD, TORONTO, CANADA M8X 1G6

PHONE (416) 742-9400

ENGINEERING GROUP

155 Rexdale Blvd.,
Ste. 400,
Rexdale, Ont. M9W 5Z8
(416) 742-9400

BBT GEOTECHNICAL CONSULTANTS LTD.

3051 Parsons Road,
Edmonton, Alta. T6N 1A3
(403) 463-9308

6423A Burbank Road S.E.,
Calgary, Alta. T2H 2E1
(403) 252-1106

5110 - 63rd Street
Lloydminster, Alta. S9V 1K5
(403) 875-8975

221 Jessop Avenue,
Saskatoon, Sask. S7N 1Y3
(306) 373-6161

608 McLeod Street,
Regina, Sask. S4N 4Y1
(306) 352-9626

SERGEANT, HAUSKINS & BECKWITH GEOTECHNICAL ENGINEERS INC.

3940 West Clarendon,
Phoenix, Arizona 85019
(602) 272-6848

4700 Lincoln Rd. N.E.,
Albuquerque, New Mexico 87109
(505) 884-0950

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Sherwood Park, Alta. T8A 3X7
(403) 464-4550

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Calgary, Alta. T2H 2B7
(403) 253-2560

1A-2310-50th Avenue,
Red Deer, Alta. T4N 1G1
(403) 346-5895

P.O. Box 610,
Prince Albert, Sask. S6V 5S2
(306) 764-4154

121-105th Street East,
Saskatoon, Sask. S7N 1Z2
(306) 374-6121

160 Myrtle Avenue,
Yorkton, Sask. S3N 1R1
(306) 783-8563

P.O. Box 62,
Swift Current, Sask. S9H 3V5
(306) 773-4882

THE CAMBRIAN ENGINEERING GROUP LIMITED

112-2465 Cawthra Road,
Mississauga, Ont. L5A 3P2
(416) 272-1400

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Saskatoon, Sask. S7N 1Z2
(306) 374-8242

5925-3rd Street S.E.,
Calgary, Alta. T2H 1K3
(403) 253-7631

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10554-82nd Avenue,
Edmonton, Alta. T6B 2A4
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WESTERN CAISSONS LIMITED

7708 Wagner Road,
Edmonton, Alta. T6E 5B2
(403) 465-0231

416 Monument Place,
Calgary, Alta. T2A 1X3
(403) 272-5531

121-105th Street East,
Saskatoon, Sask. S7N 1Z2
(306) 373-3762

515 Dewdney Ave. E.,
Regina, Sask. S4N 4E9
(306) 525-1379

WESTERN CAISSONS INC.

6315 Aaron Lane,
Clinton, Maryland 20735
(301) 868-9050

MEREDITH DRILLING COMPANY INC.

945 South Huron Street,
Denver, Colorado 80223
(303) 698-0965

AGRA FOUNDATIONS INC.

2793 D Road,
Grand Junction, Colorado 81501
(303) 241-5960

JENSEN & REYNOLDS CONSTRUCTION CO. (50%)

675 East H Street,
Benicia, Ca. 94510
(707) 745-8300

Box 66769
Seattle, Wash. 98166
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Calgary, Alta. T2A 1X3
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MAGNANI INC.

6550 Bombardier Street,
St. Leonard (Montreal), Que.
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1010-42nd Ave. S.E.,
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(403) 287-0723

2907-2nd Avenue South,
Lethbridge, Alta. T1J 0G8
(403) 327-1310

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6814R 6th Street S.E.,
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(403) 287-0723

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LESWASTE SYSTEMS
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Calgary, Alta. T2E 6L6
(403) 277-8591

COMMUNITY SERVICE GROUP

CABLENET LIMITED (73%) WIRED CITY

COMMUNICATIONS LTD. (69%)

78 Oakdale Road,
Downsview, Ont. M3N 1V9
(416) 745-3940

CHILLIWACK CABLENET (73%)

25 Nowell St. S.,
Chilliwack, B.C. V2P 7G7
(604) 792-4626

LETHBRIDGE CABLENET (73%)

728-13th Street North,
Lethbridge, Alta. T1H 2T1
(403) 328-1222

ESTEVAN CABLENET (73%)

1229-4th Street,
Estevan, Sask. S4A 0W8
(306) 634-3822

WEYBURN CABLENET (73%)

35-5th Street,
Weyburn, Sask. S4H 0Y9
(306) 842-4236

POWELL RIVER CABLENET LIMITED (73%)

4706 Ewing Place,
Powell River, B.C. V8A 2N5
(604) 485-4295

KAMLOOPS CABLENET LIMITED (55%)

180 Briar Avenue,
Kamloops, B.C. V2B 1C1
(604) 376-7204

COMOX VALLEY CABLENET (73%)

1591 McPhee Avenue,
Courtenay, B.C. V9N 3A6
(604) 334-4741

OAKVILLE CABLENET (69%)

447 Speers Road,
Oakville, Ont. L6K 3S7
(416) 844-2230

CITIZENS CABLE TV LIMITED (73%) BURLINGTON CABLENET

1245 No. 5 Highway,
P.O. Box 216,
Burlington, Ont. L7R 3Y2
(416) 335-4655

KINGSTON CABLENET (73%)

335 King Street E.,
P.O. Box 532,
Kingston, Ont. K7L 4W5
(613) 544-6311

SOUTH-WESTERN CABLE TV INC. (36%)

P.O. Box 177,
Maryville, Illinois 62062
(618) 288-6177

CABLENET INC.

410 E Northwest Hwy.,
Mt. Prospect, Ill. 60056
(312) 577-2550

GENERAL NEWS

2907-2nd Avenue South,
Lethbridge, Alta. T1J 0G8
(403) 327-4220

CKO INCORPORATED

65 Adelaide Street E.,
Toronto, Ont. M5C 1K6
(416) 862-7200

CYBERMEDIX LIMITED (73%)

78 Oakdale Road,
Downsview, Ont. M3N 1V9
(416) 745-3940



**AGRA INDUSTRIES
LIMITED**

1981 EIGHTEENTH ANNUAL REPORT

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Six Months Ended January 31, 1982
With Comparative Figures for 1981
(In Thousands of Dollars)

	1982	1981
Source of working capital:		
Operations:		
Net earnings before extraordinary items	\$ 1,518	\$ 1,847
Items not affecting working capital	2,031	2,495
	3,549	4,342
Proceeds from:		
Investments	2,935	649
Long-term debt	5,198	716
Issue of share capital	44	19
	11,726	5,726
Use of working capital:		
Investments	262	—
Purchase of fixed assets	5,916	2,703
Retirement of long-term debt	1,589	1,689
Acquisition of shares of subsidiary company	140	—
Payment of dividends	119	—
Extraordinary items	—	734
	8,026	5,126
Increase in working capital	3,700	600
Working capital beginning of period	18,950	17,799
Working capital end of period	\$22,650	\$18,399

CONSOLIDATED BALANCE SHEET

As at January 31, 1982
With Comparative Figures for 1981
(In Thousands of Dollars)

	1982	1981
AR05		
Assets:		
Current assets	\$ 50,031	\$ 50,824
Fixed assets, at net book value	31,879	31,125
Investments	12,370	13,141
Other assets	—	1,841
Excess cost of assets in subsidiaries over book value	6,071	6,037
	\$100,351	\$102,968
Liabilities:		
Current liabilities	\$ 27,381	\$ 32,425
Long-term debt, net	31,670	35,968
Deferred income taxes	1,658	1,900
Minority interest	—	51
Shareholders' Equity:		
Capital stock	\$10,226	
Retained earnings	29,416	
	39,642	32,624
	\$100,351	\$102,968



AGRA INDUSTRIES LIMITED

*interim
report*

For the Six Months Ended
January 31, 1982



AGRA INDUSTRIES LIMITED

REPORT TO THE SHAREHOLDERS For the Six Months Ended January 31, 1982

Operations for the first six months of fiscal 1982 produced consolidated revenues of \$78,278,000 compared with \$84,280,000 during the same period last year. Total earnings after full taxes reached \$1,518,000 or 64 cents per share (based on 2,386,427 shares outstanding) compared with \$1,113,000 or 47 cents per share last year.

There are no extraordinary items for the current year, however last year's results include what was then treated as an extraordinary loss of \$734,000 or 31 cents per share. This was due to losses suffered by our Canada All-News Radio (CKO) subsidiary. CKO had been sold by the end of the first quarter last year (subject to regulatory approval) and so was treated as a discontinued operation at that time. The sale was subsequently not allowed by the Canadian Radio-television and Telecommunications Commission and as a result was cancelled. We are no longer seeking a purchaser for CKO as the operation now shows great promise for the future and therefore the All-News Radio stations are included in our regular earnings for the current year.

Our Engineering Group continued to show some improvement over last year in spite of a very cold and difficult winter. We are cautiously optimistic that the trend will continue throughout the balance of the year, however this will very much depend on how the general economy behaves.

The Food and Beverage Group has performed very close to budget for the first half of fiscal 1982 and we anticipate that it will continue to do so for the balance of the year. Total sales for the first half are below last year's figures because revenues from Montreal Seven-Up are no longer included since the plant was sold at the end of the first half of last year. Construction of our new \$15,000,000 soft-drink plant in Calgary remains on schedule and should come on stream near the end of the current fiscal year.

The Community Services Group continued to operate slightly below budget due primarily to continuing losses in our All-News Radio operation, which is gradually turning around and shows great promise for the future. Our CableNet subsidiary is now well into construction of its recently acquired cable television service franchise in the north-western communities of Chicago. Construction of this system will continue over approximately two years and will provide cable service to a potential of 130,000 homes when completed. Our General News and Cybermix subsidiaries operated satisfactorily during the first half.

At a recent board meeting, your Directors authorized payment of the regular quarterly dividend of 5 cents per common Class A and Class B share to shareholders of record date March 10, 1982. The dividend cheques will be mailed by the end of March 1982.

Sincerely yours,

B. B. Torchinsky
President

Saskatoon
March, 1982

CONSOLIDATED STATEMENT OF EARNINGS

For the Six Months Ended January 31, 1982
With Comparative Figures for 1981
(In Thousands of Dollars)

	1982	1981
Gross Revenue:		
Food and Beverage Group ..	\$28,013	\$41,093
Engineering Group	47,441	40,583
Community Services Group ..	2,824	2,604
	<u>\$78,278</u>	<u>\$84,280</u>
Expenses:		
Costs other than the following	\$70,054	\$75,770
Depreciation	1,769	1,901
Interest and bank charges	3,768	3,218
Directors' fees and expenses	14	5
	<u>\$75,605</u>	<u>\$80,894</u>
Earnings before corporation income taxes	\$ 2,673	\$ 3,386
Provision for corporation income taxes	1,244	1,592
	<u>1,429</u>	<u>1,794</u>
Minority interest in earnings of subsidiaries	19	22
	<u>1,410</u>	<u>1,772</u>
Equity in earnings of non-consolidated subsidiaries	108	75
Earnings before extraordinary items	1,518	1,847
Extraordinary items	—	(734)
Net Earnings	<u>\$ 1,518</u>	<u>\$ 1,113</u>
Earnings per share before extraordinary items		
— Basic	\$.64	\$.78
— Fully diluted	\$.60	\$.73
Net earnings per share		
— Basic	\$.64	\$.47
— Fully diluted	\$.60	\$.45